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INDUSTRIAL CO-ORDINATION TO WIN THE WAR¹

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THE war is as much an industrial as a military or strategic war, and our success depends upon the stout-heartedness of the nation and upon our intelligence in the co-ordination of our industries to the end that the war shall be won.

We have been engaged in the grim business of war for nine months. In perspective a review of the accomplishments discloses that remarkable progress has been made in the co-ordination of the nation's strength. An army of millions of men has been projected; machinery for the raising of billions of dollars has been successfully tested; industry and labor have been patriotically marshaled to the nation's needs.

Time, raw materials and labor are the base of production. Control over raw materials, food and coal has been conferred upon federal authority by the express legislative creation of a food and fuel administration. Control over other basic raw materials has been projected by the president by virtue of the National Defense Act, through the War Industries Board, and prices have been fixed on steel, copper, zinc and other basic commodities by agreement with these industries.

The record of this war is a splendid one so far as the patriotism of labor is concerned. In the anthracite coal fields the workers have been reduced from 175,000 to 150,000, and yet the production in that field increased twenty-three per cent over last year. Labor is doing its patriotic share; and when you consider that in a period of rising prices, it is an economic fact that one of the last commodities to feel the rise in price is labor; and when you consider that we have been having the most remarkable era of rapid increase in prices that the world has seen for some time, the patriotism of labor is a splendid commentary upon its character. Labor, after all, is at the base of production.

Control over prices without control over distribution is abortive in an effort to relieve the public. Priority and price fixing must go hand in hand.

¹ Address at the meeting of the Academy of Political Science, December 15, 1917.
(701)

What the future will require in industrial reorganization to meet these unprecedented conditions, the experience of other nations, which have gone through these phases, and our own experiences, will indicate. The warring nations of Europe have extended government control over industry and labor to an extent not realized in this country. Profits on basic materials have been reduced to a minimum. Government building and operation of plants has been projected to an unusual degree. The industry of these nations is converted to one end only, to wit, that of winning the war. Germany has extended the pre-war syndication or cartellization of industry to a stage of compulsory action in practically all lines of industry. Bootmaking, tanning, the soap industry, have all been organized under the cartel form with compulsory governmental control over production, price and distribution. A glance at the weekly *Board of Trade Journal* of England discloses that several pages each week are devoted to "Government Notices Affecting Trade," and characteristic headings of these government orders indicate the degree of government control over industry. A few typical headings are: "Boards of Control over Woolen and Worsted Industries, Diamonds, Benzol, etc.," "Licenses Required—Chrome Ore, Naphtha, Coal Tar, etc.," "Restrictions of Consumption Orders as to Wool, Yarn, Tobacco, Matches," "Restriction Orders, Machine Tools, Newsprint Paper, on the manufacture of boots, on dealing in calcium carbide," "Requisition Orders, Horse Collars, Ship Timbers and Lumber," "Control Orders, Ham, Lard, Tea, Butter, Flour, Coal, Cotton," and the like. These are but a few that indicate the extraordinary extent to which industry and trade have been subjected to government action. That there are wide differences between these countries and our own country in natural resources and industrial capacity is of course patent. But these items are indicative of the efforts required to co-ordinate national life and strength to the supreme end of winning the war.

Our own experience thus far indicates the future development to which we may look forward in case of a long war. Experience has brought already a tendency in Washington to centralization of authority and control. This is manifest by the reorganization of the National Council of Defense and the creation of the War Industries Board, the appointment of a single food administrator and fuel administrator, with full responsibility and undivided

authority, and by the still more recent developments in the railroad situation. It may be confidently expected that still further centralization of authority will develop. A debating society is not an executive. Responsibility and complete authority induce speed of action, which is a paramount necessity. In government purchases, in priority management, the tendency is to still further centering of responsibility. Not only in purchases but in the fixing of prices it is probable that a greater degree of co-ordination will develop. Prices have been fixed upon coal, coke, steel, meats, and copper. The price of coal, it is alleged, carries a profit much less than the price of coke affords to the manufacturer of coke who uses the coal. The nine per cent limitation of profit on the most efficient meat-packing plants is out of all proportion to the much larger profits made by the relatively similarly efficient steel and copper-producing agencies. Inequities in profits due to price fixing will be adjusted by greater co-ordination in the price-fixing agencies. Two elements are paramount in price fixing—that price be based on cost for the protection of the consumer, and that price be such as to induce maximum production; for production is necessary to win the war. The war will inevitably require in this country, as it has done abroad, a closer reliance upon costs of production in fixing the price.

War purchases for the government have been made in many instances from the most efficient and highly integrated large concerns. Time—speed in delivery—was the essential element in the situation. Extensions of plant require time to build. To absorb already existing but less highly integrated plants has been suggested in order to speed production. Application has been made to suspend the Clayton Act and the Sherman Act to permit this. The financial necessities alleged to have arisen by reason of the necessity of meeting the excess-profits tax have, on the other hand, been urged by smaller concerns as a reason for similar action to enable them to combine with larger units.

War takes the most fit. It has always been so. Industries are now complaining that under the operation of the draft regulations skilled workmen are apt to be taken from their plants. Coal producers complain that the munition factories pay higher wages and are taking their men, with resultant diminishing production. Steel plants are being operated to only seventy per cent of their capacity because of lack of coal and ability to get labor. Piano

factories are being shut down by reason of inability to get steel wire. Sash, door and blind factories have orders only thirty days in advance because building has largely stopped. Both of these, and other lines of industry similarly affected, must be provided for by transition into aircraft production and similar activities. These conditions, as the war progresses, will have to be met and provided against. Lines of industry deemed not necessary to war activities must be utilized. The transition must be made as easily as possible.

Prices have increased by reason of fundamental economic laws, which will still be operating under any system of price control. The purchasing power of money itself is not reached by any system of price fixing. It is an economic fact well recognized that the last commodity to be affected by rising prices is labor. Actual wage, real wage, is measured by purchasing power. A standard of living wage under these conditions must be maintained, with the full appreciation of what it will entail in the reorganization of labor costs in international competition after the war.

The wisdom and clarity of vision of the president of the United States assures that there shall be no division of responsibility and authority to impair national effectiveness.

Industry may then look forward to a still greater degree of centralization of authority in government, an equalization of profits in price fixing, an extension of the exercise of priority, a still greater degree of government participation in industry, the possible extension of government erection of plants for production to be amortized out of profits extended over a long period of years, rather than in high profits during the war, the maintenance of a wage that will afford a high standard of living to the laborer, the transfer of labor from non-essential industries to those more vital in the winning of the war, and a degree of participation in industry by government that has been unknown and unthought of heretofore in this country.

These developments may not be a matter of choice; they may be enterprises upon which we should much prefer not to embark. They may entail grave and serious problems for the future. They may furnish elements in our national life that will challenge our conceptions of democracy and representative government itself. But if to win the war they are necessary to be done, there is no alternative. A peace that contemplates the triumph of the Prussian system of Realpolitik, which would rule the world, or

a stalemate peace that would require this and all other nations to gather themselves together for a still greater struggle in the future, are alike unthinkable. The paramount and only consideration now is to win the war. All other problems must wait. Our vitality, youth and constantly growing intelligence must take care of the future.

It is, I believe, a manifestation of divine Providence that in this critical period when great forces affecting the future of democracy are in the making there should be at the helm of the ship of state a leader who is thinking in terms of preserving individualism in democracy, whose wisdom is based upon those fundamental principles which the economic and political history of the world has established, and who is so directing these great forces that they may be of the highest effectiveness to win the war, and yet that with victorious peace there shall remain to the greatest possible degree such conditions as are compatible with the ideals of democracy, to wit, the greatest possible freedom and well-being of the individual compatible with the social welfare.